

Message Text

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TO SECSTATE WASHDC 2791

AMEMBASSY BONN

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TAGS: ETRD, ETRN, GW, XH

SUBJECT: PLACEMENT OF INSURANCE ON SHIPMENTS IN EAST-WEST TRADE

REF: STATE 023552

1. INFORMATION OBTAINED FROM AN ACTIVE EAST-WEST TRADER IN HAMBURG INDICATES THAT THE SOVIET UNION ALMOST ALWAYS BUYS GOODS IN GERMANY FOB PORT OF FREE GERMAN BORDER, LEAVING THE OPTION ON PLACEMENT OF INSURANCE TO THE BORDER OR PORT WITH THE SELLING COMPANY. THIS INSURANCE IS GENERALLY PLACED WITH DOMESTIC GERMAN INSURANCE COMPANIES. THE SOVIETS INVARIABLY INSURE THEIR PORTION OF THE TRANSIT WITH INGOSTRAKH AND CARRY THE GOODS OUT ON SOVIET CARRIERS. GERMAN FIRMS GO ALONG WITH THIS ARRANGEMENT AT LEAST IN PART BECAUSE IT SAVES HEADACHES IF GOODS ARE DAMAGED IN TRANSIT, SINCE INSPECTION WITHIN THE SOVIET UNION IS DIFFICULT OR IMPOSSIBLE.

2. THE PLACEMENT OF INSURANCE FOR TRADE WITH OTHER EAST BLOC COUNTRIES IS SIMILAR BUT NOT IDENTICAL WITH THE SOVIET CASE. THE EAST BLOC COUNTRY WILL BUY FOB GERMAN PORT OR GERMAN BORDER IF THE SHIPMENT IS DIRECT OR IF THE VALUE OR POSSIBILITY OF DAMAGE IS LOW. WE ARE INFORMED THAT APPROXIMATELY 2/3 OF THE TIME THESE COUNTRIES BUY FOB OR FREE GERMAN BORDER. HOWEVER, WHERE THE SHIPMENT IS BY RAIL OR TRUCK (AND THEREFORE THROUGH OTHER COUNTRIES), THE VALUE IS HIGH, AND THE POSSIBILITY OF DAMAGE IS CONSIDERABLE, THESE COUNTRIES PREFER TO BUY CIF AND HAVE THE INSURANCE PLACED WITH A WESTERN INSURANCE COMPANY. THIS IS BECAUSE WHERE LARGE AMOUNTS OF WESTERN CURRENCY ARE INVOLVED AND THE

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RISK OF LOSS HIGH, IT MAY NOT BE POSSIBLE TO REPLACE ANY LOSS

OCCURRING AND THEY FIND IT WORTHWHILE TO INSURE WITH A WESTERN COMPANY.

3. A SPECIAL CASE HAS BEEN BROUGHT TO OUR ATTENTION BY OUR CONTACT, WHO IMPORTS SOVIET AUTOMOBILES. HIS CONTRACT CALLS FOR PURCHASE CIF FROM THE SOVIET UNION TO THE GERMAN PORT OF ENTRY. HE IS FREE TO PLACE THE INSURANCE FOR THAT PORTION OF THE SHIPMENT WITHIN GERMANY AS HE WISHES. DUE TO LACK OF EXPERIENCE OF WESTERN COMPANIES IN INSURING IMPORTS FROM THE SOVIET UNION AND TO INSURE PAYMENT SHOULD DAMAGE OCCUR, HE PLACES INSURANCE WITHIN GERMANY WITH THE SOVIET COMPANY SWARZMEER UND OSTSEE, THE INGOSTRAKH AGENT IN HAMBURG. IN THIS WAY, HE HAS ONLY ONE INSURANCE COMPANY TO DEAL WITH AND THAT COMPANY IS RESPONSIBLE FOR THE ENTIRE SHIPMENT.

4. OUR CONTACT AT THE HAMBURG CHAMBER OF COMMERCE HAS PROMISED TO QUERY HIS CONTACTS INVOLVED IN EAST-WEST TRADE CONCERNING PLACEMENT OF INSURANCE. HE WILL THEN BE BACK IN TOUCH WITH US NEXT WEEK, AT WHICH TIME WE HOPE TO HAVE ADDITIONAL INFORMATION TO GIVE YOU. BROGAN

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